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ABSTRACT

This document analyzes and comments on six major reports by eminent national groups that have recently been issued. These reports include: The Carnegie Commission, "Higher Education: Who Pays? Who Benefits? Who Should Pay?"; Committee for Economic Development, "The Management and Financing of Colleges"; National Board on Graduate Education, "Policy Alternatives Toward Graduate Education"; National Commission on the Financing of Postsecondary Education, "Financing Postsecondary Education in the Last Quarter of the Twentieth Century"; National Council of Independent Colleges and Universities, "Financing of Postsecondary Education with Special Reference to the Private Sector"; and the Special Task Force to the Secretary of HEW, "National Policy and Higher Education". The debate is dealt with in 3 stages: first, to provide some historical perspectives, then to present the major themes and broad implications of the 6 reports; and finally to present some personal reactions of the author. (Author/PG)

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# FINANCING HIGHER EDUCATION:

# THE CURRENT STATE OF THE DEBATE

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St. Louis, Missouri

January 15, 1974

HE 004 961

FINANCING HIGHER EDUCATION:

THE CURRENT STATE OF THE DEBATE

The perennial debate on the financing of higher education has been unusually spirited in the past five or six years. It may now be reaching a climax. Literature on the subject has been multiplying and no less than six major reports by eminent national groups have recently been issued. Also, controversy is heating up, especially over the frequent proposals that tuitions in public institutions should be raised and that students should be financed--more than in the past--through loans.

I have been asked to analyze and comment on the six recent reports. These include (in alphabetical order) reports of the Carnegie Commission, CED, National Board on Graduate Education, National Commission on the Financing of Postsecondary Education, National Council of Independent Colleges and Universities, and the Special Task Force of HEW chaired by Frank Newman.[1]

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[1] Carnegie Commission on Higher Education, Higher Education: Who Pays? Who Benefits? Who Should Pay? New York: McGraw-Hill Book Company, June 1973.

Committee for Economic Development, The Management and Financing of Colleges. New York: CED, October 1973.

National Board on Graduate Education (sponsored by Conference Board of Associated Research Councils), Policy Alternatives Toward Graduate Education. Washington, D.C.: 1974.

National Commission on the Financing of Postsecondary Education, Financing Postsecondary Education in the Last Quarter of the Twentieth Century. Washington, D.C.: U.S. Government Printing Office, 1974.

National Council of Independent Colleges and Universities, Financing of Postsecondary Education with Special Reference to the Private Sector. (Unpublished preliminary report.) Copies available on request from the Council, 1818 R St., NW, Washington, D. C. 20009.

Special Task Force to the Secretary of HEW, National Policy and Higher Education (Newman Report). Washington, D.C.: Department of HEW, October 1963.

When Dr. Eldon Smith invited me to present my paper, he made a quite irresponsible promise. He said, "I want to give you a free hand as to what you will cover . . . . Your paper could be an objective, critical review or a subjective, personalized reaction . . . . And you may take as much time as you need." Despite this opening, I shall try not to take advantage of your patience, but I might as well admit right from the start that the size of the subject does call for a bit more time than I would usually request.

My plan is to deal with the subject in three stages: First, to provide some historical perspective on how we got where we now are; then to present the major themes and broad implications of the six reports (being careful not to get mired down in technical details); and finally to present some of that "subjective, personalized reaction" which Eldon Smith said would be in order. In case I should get out of bounds, the distinguished panel of expert discussants will keep me in check.

## 1. Higher Educational Finance before World War II

World War II was a kind of watershed in the financing of higher education. Before the war, the theory and practice of higher educational finance had been quite settled.

The finance of students was primarily a responsibility of parents, and of students themselves through part-time earnings. Scholarships and loans were in use but were not prevalent or major forms of student support. Working one's way through college was the accepted and respected mode of student aid.

The finance of institutions, on the other hand, was largely a responsibility of "society" as represented by state government, churches, and private donors. The federal government was involved only marginally and corporations almost not at all. An accepted pre-war dogma, scarcely debated, was that tuitions should be low to encourage attendance of young men and women of all social classes. Tuitions and fees in state institutions averaged about $100 a year or a little more. Private tuitions were about 2-1/2 or 3 times public tuitions--as compared with five times today.

## 2. Post-war Changes

Immediately after World War II, the GI Bill brought new vigor to higher education and opened up opportunities to young men and women far beyond previous expectations. But the GI Bill was short-lived. When the GI's left college, around 1950, higher education lapsed back into a period of poverty, and remained in a depressed state until the late 1950's. But after 1957, when the nation was aroused by the launching of Sputnik, some spectacular changes occurred:

possibility of institutional grants from the federal government. The American Council on Education,[1] The Association of American Colleges,[2] The Association of American Universities,[3] and the National Association of State Universities and Land Grant Colleges,[4] all went on record in 1967 or 1968 in favor of institutional grants. The common plea was to retain all the then existing forms of federal aid, and add institutional grants--the new money to be distributed according to formulas yet to be devised.

The proposal for institutional grants was based on three tacit assumptions. One was that expenditures would continue to rise rapidly because of growing enrollments and rising costs. Another was that, though federal categorical aid was desirable, it did little to meet the basic operating costs of institutions and unrestricted funds were needed as well. The third assumption was that a steady rise of tuitions would be on principle socially harmful.

The search then began for suitable formulas that might be used to distribute institutional aid. Many were proposed. Even I devised such a formula, and the booklet in which it was contained[5] became one of the very first publications of the Carnegie Commission. Indeed, the Commission gave considerable attention in its early years to federal institutional aid.[6]

The conclusion I draw from this history is that as late as four or five years ago the academic community was overwhelmingly in favor of low tuitions, was alarmed at the prospect of having to raise tuitions year after year in the future, and saw general institutional support from the federal government as the best answer.

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[1] The Federal Investment in Higher Education, American Council on Education, 1967, Federal Programs for Higher Education, American Council on Education, 1969.

[2] Federal Institutional Grants for Instructional Purposes, The Association of American Colleges, 1968.

[3] The Federal Financing of Higher Education, The Association of American Universities, 1968.

[4] NASULGC strongly supported the Miller bill.

[5] The Finance of Higher Education, Carnegie Commission on Higher Education, 1968.

[6] Donald A. Wolk, Alternative Methods of Federal Funding for Higher Education, Carnegie Commission on Higher Education, 1968; Institutional Aid: Federal Support to Colleges and Universities, 1972; Quality and Equality: New Levels of Federal Responsibility for Higher Education, 1968.

4. New Approaches

But around 1968, during the discussion of institutional grants, some new concepts were beginning to get a hearing. One of these was that a major goal of new federal programs should be to encourage needy and lower middle-income students to attend college. It was argued that federal aid should be primarily in the form of grants and loans to low-income students and that institutional aid should be in the form of added cost-of-education allowances to assist those institutions accepting needy students. This was the burden of the Rivlin report which was prepared in the last months of the Johnson administration and issued in January of 1969.[1] This idea eventually became the underlying theme of the Higher Education Amendments of 1972. This act represented a major decision to the effect that general funds from the Federal government would flow to education primarily through grants to students rather than through grants to institutions.

In the early 1970's, other more radical lines of thought were emerging. Some were advanced by those who had become disillusioned by campus unrest, some by public officials who wanted to bring costs under control, and some by economists who presented technical arguments. In general, with variations in detail, the critics converged on three proposals.

The first proposal was that higher education could and should be more efficient. The seemingly endless escalation of costs should be slowed down. Some of the critics argued that higher education was becoming over-expanded--that it was trying to educate more people than could benefit. Some argued that higher education had gone out of balance in that too much was being spent on graduate study, research, and esoteric specialties, and not enough on undergraduate education. And some argued that efficiency could be improved through mechanical technology, better use of building space, new academic calendars, larger classes, etc. From this line of argument arose the demand for cost analysis and measurement, program budgeting, and accountability--all of which are lively topics today.

A second proposal that came on strongly after 1970 was that the support of state colleges and universities should come relatively more from tuitions and relatively less from taxes. The high tuition idea was adopted by some on the pragmatic ground that additional funds were needed and that tuitions were the only potential source. It was argued that because of the turn of public opinion against the academic world, the intensified competition for existing tax monies, and the political resistance to tax increases, the old sources could no longer be expanded.

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[1] Toward a Long-range Plan for Federal Financial Support for Higher Education: A Report to the President. Washington, D.C.: Department of HEW, January, 1969.

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But the idea of high tuitions was advocated by others, including many economists, on principle. Some argued that both equity and efficiency would be promoted if the higher education "industry" were operated without public subsidy along the lines of the free market with tuitions covering the full cost of instruction.[1] Equity would then be assured because those benefiting would pay for services received and well-off families would no longer get unneeded subsidies. Efficiency would be assured because only those educational services would be produced which student-consumers thought worth paying for. To attract paying customers, institutions would be motivated to offer excellent education, and to meet market competition they would have to be efficient. Charles Carter, the distinguished economist and Vice-chancellor of the University of Lancaster, derisively called this scheme the "jam factory" theory of higher education.

Other economists, taking a less radical approach, advocated more moderate increases in tuitions. Their aim was to capture some of the subsidies now being received by high-income families and use them to support low-income students and to augment institutional budgets. This is the basic philosophy underlying several of the recent reports we are considering today.

A third new idea was that long-term loans of substantial amount should be used regularly for the financing of students. Almost everyone agreed that a generous system of student aid is essential to keep access and opportunity open. Some argued that the aid should be wholly or largely in the form of grants financed largely from public funds.[2] But many others thought long-term loans should be a major source of financing for low and middle income students. Only through a system of loans combined with high tuitions would government be relieved significantly of the cost of higher education and new sources of funds tapped. And so a great deal of effort was devoted to inventing long-term student loan schemes that would be tolerable to students, that would be politically and morally acceptable, and that would give relief to the public exchequer. To date, the nation is still a long way from an adequate loan program as defined by advocates of heavy borrowing, but efforts continue.

The approach to higher educational finance through high tuitions and student loans was seen to have an important collateral effect. It would narrow (or even close) the tuition gap between public and private institutions and help to correct the unfavorable competitive position of the private sector. Thus, educators in the private sector were occasionally

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[1] Milton Friedman, "The Higher Schooling in America," The Public Interest, Spring 1968, 108-112.

[2] W. Lee Hansen and Burton A. Weisbrod, "A New Approach to Higher Education Finance," in M. D. Orring (editor), Financing Higher Education: Alternative for the Federal Government. Iowa City: American College Testing Program, 1971, 117-142.

tempted to advocate high public tutions and student aid through loans. However, on the whole, educators in the private sector were quite restrained in their political activities especially as many of them sincerely favored low public tuitions.

To conclude, the basic issues in the recent debate are clearly those relating to efficiency, levels of tuition, long-term student loans, and the competitive position of the private sector. However, several other secondary issues have emerged. These are:

1. Should student aid, whether in the form of grants or loans, be fully portable so that students would bring their aid, and possibly also cost-of-education allowances, to the institutions of their choice? Or should the aid be dispensed by the institutions?
2. What will be the effects of the recent lowering to 18 of the age at which young people reach the majority? How will it affect the administration of a means test in the allotment of student aid? And how will it affect the definition of in-state residence?
3. Should tax incentives for charitable giving, and property tax exemptions of colleges and universities, be curtailed, held steady, or expanded?
4. How should the growing programs of adult education be financed with respect to both institutional costs and student support?

## 5. The Recent Reports

So much for the historical background. Let me now turn to the six recent reports, all of which are in my judgment worthy contributions to the discussion of higher educational finance. I should warn you that not all of the reports have been published and I have not had access to the latest revisions. If I am guilty of misinterpretation, I hope that members of the discussion panel will set me straight.

All are remarkably restrained and moderate in their recommendations. In spirit, they are incremental. For example, no one of them argues for zero tuitions or for full-cost pricing or any other sharp break from past practice. Some recommend that even the moderate changes be phased in over a period of years. Nevertheless, these documents do point in a certain direction. Indeed, they point in the direction that the system is already moving. If they influence policy, they will hasten trends that are already evident.

I shall not summarize the reports one by one, or outline them in great detail. And I shall not quibble over statistical discrepancies and ambiguities of which there are some. I shall try to concentrate on the major issues which are few in number and conceptually quite simple. The first is efficiency.

A. Efficiency. Two of the documents stressed institutional efficiency. I refer to the reports of CED and the National Commission. The Carnegie group did not dwell on efficiency, only because one of their earlier reports was specifically directed toward this subject.[1] The CED report contained an extended discussion on strengthening internal governance and management as a way to improve efficiency. I found this section of the report rather homiletical in tone and not very fresh or provocative. I appreciated, however, its concern for academic considerations in dealing with matters such as faculty tenure, faculty and student participation in governance, and mechanical aids to teaching. This was no crude "managerial" approach to higher educational administration.

The National Commission emphasized the controversial area of cost analysis and unit cost measurement. These concepts were presented as keys to both efficiency and accountability. The Commission had been instructed in its enabling legislation to develop national uniform standards for calculating costs per student. The implication of the directive was clear. In the future, institutions would be expected to compute their costs for purposes of internal management and report their costs for purposes of assessing overall institutional efficiency. The CED group also advocated cost analysis.

The prospect of mandatory cost analysis and cost reporting has been worrisome to many educators. Some of the worry stems from the belief that colleges and universities are unified entities producing many products, and that joint costs cannot readily be assigned to particular outputs. More of the worry stems from a deep concern that measurement of cost will be grossly misleading unless there is corresponding qualitative assessment of the product. So, it is feared, with ample justification I think, that spurious cost figures may be used by funding agencies to beat down the quality of instruction wherever it rises above the average.

The question of cost analysis was also considered by the National Board on Graduate Education. The problem of allocating costs is especially vexing in complex universities with graduate programs. The report of the Graduate group contained an illuminating essay on cost analysis by Professor Frederick E. Balderston of Berkeley. He pointed out that in principle, even if technical problems could be overcome, no single uniform cost figure would be appropriate for all kinds of decisions. Different cost concepts would be needed for different purposes.

The National Commission during its deliberations heard all of these worries and concerns about costs many times and took cognizance of them. But in the end they recommended that cost analysis be pursued as a tool for improving efficiency in higher education.

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[1] The More Effective Use of Resources: An Imperative for Higher Education. New York: McGraw-Hill Book Company, 1972.

My own view of the cost question is that educators must be increasingly concerned about cost analysis and should be developing more meaningful cost data. They must accept the fact that public concern about costs is legitimate and desirable. The past habit of measuring quality in terms of inputs instead of outputs, which implies that greater expenditures invariably lead to higher quality, is no longer acceptable. What must be done is to find better measures not only of cost but also of output. Neither of these concepts, standing alone, tells us anything about efficiency. Efficiency is measured as a ratio between cost and output. Meanwhile, we educators must do our best to achieve public understanding of certain obvious facts: (1) meaningful cost measurements are technically difficult; (2) output measurements are vastly more difficult; and (3) meaningful measurements of efficiency will never be wholly quantifiable and will always be partly judgmental.

I should like to offer one other comment on institutional efficiency. This is that concerned outsiders--such as businessmen and legislators--are prone to underrate the present efficiency of higher education and to exaggerate the gains that are feasible without unwarranted sacrifice of quality. I felt that the CED report was by implication unrealistic in its estimate of the amount of gain likely to be achieved through better management. Critics sometimes forget that higher education has on the whole long been a depressed industry and that it has recently been squeezed through a pretty tight wringer. There is not much fat. It is true that some institutions might make one-time cuts in cost per student of as much as five percent without serious damage to quality. Some might even manage to do this several years in a row. But no institution can do this year after year. As suggested in the Carnegie Commission report, The More Effective Use of Resources (1972), a reasonable goal for efficiency-improvement is to cut the annual increase in real cost (after allowance for inflation) by one percentage point. Instead of increases in real costs as in the past of three percent a year, an institution might, with sustained effort, reduce that rate of increase to two percent a year.[1] Such a saving is well worth striving for, but it will not solve many of the financial problems of higher education.

B. Tuitions and Student Aid. The central financial recommendation of several of the reports is that the tuitions of public institutions should be gradually raised, provided adequate aid for low and middle income students is made available.

The Carnegie Commission proposed a gradual and very modest increase of public tuitions over a ten-year period to one-third of educational costs (with an exception for community colleges) and a slowing of the rise in private tuitions to no more than the growth of per capita disposable income. On the whole, the Carnegie report is quite moderate and generally favors

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[1] See also Howard R. Bowen, "Can Higher Education Become More Efficient?" Educational Record, Summer 1972, 199-200.

continuation of the present system of finance rather than abrupt change. The CED report made a much more drastic recommendation that public tuitions be raised over five years (ten years in the case of community colleges) to half of educational costs. The CED report incidentally recommended that in the accounting for colleges and universities depreciation on capital assets should be included in the costs. The net of their proposal, then, is that tuitions might rise to perhaps 55 percent of instructional costs as conventionally defined.

The National Commission did not make specific recommendations for change in the financing of higher education, but rather analyzed various alternative proposals from the standpoint of their costs and social effects. The Commission report, nevertheless, confirms the CED and Carnegie views that student aid based on a means test is a more effective way of increasing access than the same expenditures used to lower tuitions. The report of the Task Force of the National Council of Independent Colleges and Universities also analyzes alternatives. The favored one would involve a moderate rise in public tuitions. The Newman report is not specific about financial details, but does emphasize that students rather than governments should be the vehicle for transporting funds to institutions, and so the implication is clear that tuitions should be raised. The Newman report may be the most radical of all in its financial implications.

Collectively, these reports offer abundant testimony from able and public-spirited groups to the effect that tuitions should be raised in the public sector of higher education. And all of the reports state or imply that a collateral benefit will be to narrow the tuition gap between the public and private sectors.

The tuition proposals of the Carnegie Commission contained one notable feature: namely, that tuitions should be graduated by level of education--lowest for freshmen and sophomores, next highest for juniors and seniors, and highest for graduate and professional students. The ratio for the three groups would be about 1 to 1.5 to 3. They proposed this kind of graduation for both public and private institutions. The purpose, of course, would be to keep opportunity open at the beginning of college careers, and to impose high tuitions and heavy borrowing only when students had become well established. It is a way of increasing tuitions without raising the barriers at entry to college. This proposal raises some philosophical questions about the allocations of expenditures among the various levels of instruction and about the unity of the university. And it raises practical questions about potential effects on attrition with stepped-up tuition after two years or four years, and about competitive relationships between the private and public sector. If the plan applied to both private and public institutions as proposed, it could greatly widen the dollar gap between private and public tuitions for advanced students.

If there is one thing on which all elements of higher education are agreed, it is that opportunity should be opened and encouragement given to low-income students. All of the reports agree specifically or by implication that grants to low-income students should be expanded. For example,

the Carnegie Commission recommended full funding of the Basic Opportunity Grants. The National Board on Graduate Education recommended three types of graduate fellowships to be granted in modest numbers: those based on merit, those designed to meet specific manpower requirements of national importance, and those designed for minority groups and women.

The CED and Carnegie reports were also explicit in recommending extension of the student loan system. They would emphasize long-term loans of large amount with income contingent features. The reports recognized, however, that the nation is a long way from overcoming the problems of technique and capital supply needed for the massive loan system they envision. The report of the National Board on Graduate Education was especially articulate on the danger of modifying a financial system for graduate students on the basis of a proposed loan system which simply does not yet exist.

The reports suggest that student aid, including both grants and loans, should be portable in the sense that students would receive their allotments independently of the institutions they chose to attend. This portability would presumably widen student choice of institutions and would motivate colleges and universities to cater to the needs and wishes of students. Portable student aid would be especially potent if accompanied by cost-of-education allowances as is frequently suggested. The Newman report especially emphasizes portability of student aid. In my judgment, the subject of portability raises some serious questions about institutional autonomy and has not yet received the attention it deserves. While student influence over institutions can be recommended within reason, there is something also to be said for the integrity, inner-direction, and academic freedom of institutions. In the current debate, these considerations tend to be ignored. The Newman report was eloquent on academic freedom and institutional autonomy but saw the state as the chief threat and students with portable funds as the liberators. I am not so sure the matter is this simple.

C. Private Institutions. Let me now consider the special problems of private institutions. All of the groups were concerned about the future strength and health of the private sector. All expressed appreciation of the contributions made by private institutions to the nation, and indeed to public higher education as well. However, most of the reports dealt with the private sector in a rather incidental fashion. Both the CED and Carnegie groups recommended state aid to private institutions. The CED report was quite explicit in recommending general institutional grants to both public and private institutions based on enrollment, the amount per student to be adjusted by types of institution according to instructional costs and amount of income from private sources. In this respect, the CED report is a throwback to the discussions of the 1960's. The Carnegie group recommended state aid in the form of capitation grants to institutions or grants to students attending private institutions. The Carnegie group noted favorably the experimentation with programs of this type now going on in many states, and implied that such programs should multiply and expand. The Newman report, with its emphasis on student aid, suggested

that needy students attending private institutions should receive extra grants to help defray high tuitions. The underlying idea in all these reports was to find a way to narrow the dollar tuition gap and improve the competitive position of the private institutions.

The CED report strongly emphasized the importance of charitable giving to higher education and urged (p. 75) that "existing tax incentives for voluntary support of higher education be maintained and . . . expanded . . . ." In my judgment, this is a recommendation of great importance and should not be passed over lightly.

As one would expect, the report of the National Council of Independent Colleges and Universities was devoted primarily to the private sector. It recounted the importance of private institutions to American society, explained the mounting financial problems, pointed to the importance of strenthening tax incentives for charitable giving, and then presented several financial options involving varying amounts of aid to needy students. One of these options was to raise public tuitions. Another was to establish a "tuition-offset plan" under which "the state or federal government would pay for each student enrolled in a private institution an amount equal to part or all of the difference between tuitions and average educational cost in public institutions." The payment could be made directly to the student or to the institutions. Another proposal was a compromise similar to the CED/Carnegie plans in which public tuitions would be raised moderately and partial tuition-offsets would be paid to the private sector. In addition, the report suggested direct institutional grants from the state or federal government for capital purposes.

The Independent Colleges report alluded to, but did not develop, an issue that was overlooked in the other reports: namely, that adequate aid to private education may require federal as well as state support. Both the CED and Carnegie reports had indicated that support of private institutions should be a responsibility of the states. The problem with this solution is that many private institutions are national or regional in outreach and draw only a fraction of their students from the home state. But programs of state aid are usually confined to in-state institutions and in-state students. It would be possible, of course, for states to make grants with respect to state residents whenever they attended college, and a few states have done this. However, a truly national system of aid to private higher education probably needs the intervention of the federal government either by directly sponsoring the program or by providing matching grants to the states.

D. Graduate Education and Research. Many discussions of higher educational finance are confined to undergraduate instruction. The important functions of graduate and professional education, research, and public service are virtually ignored. Of the reports under consideration, only three dealt with this subject--National Board on Graduate Education, Carnegie, and Newman.

The report of the National Board noted the rapid disappearance of federal fellowship and training programs, the leveling-off of federal funds for research (especially for basic research), the unpredictable fluctuations of federal support, federal preoccupation with transient categorical programs, and federal irresponsibility for the welfare and continuity of institutions. The Board called for restoration of some fellowships and traineeships and the development of practicable and adequate student loan programs. They raised many issues regarding the future of basic research and its role in the advancement of our culture and our economy. They recommended institutional aid for graduate study by funding relevant sections of the Higher Education Amendments of 1972, and they cautioned against excessive reliance on manpower forecasts as a basis for educational planning.

The Carnegie Commission, as part of its step-tuition program, advocated tuitions three times as high for post-baccalaureate students as for freshmen and sophomores. The Commission was, however, somewhat ambiguous about this proposal as it might affect students seeking the Ph.D. They also recommended that the federal government assume responsibility for graduate and professional education and research and significantly increase its support "if the nation is to remain in the vanguard of scientific and technological developments."[1] In a previous report, the Commission had recommended a massive program of federal fellowships for doctoral candidates together with cost-of-education supplements of $5,000 each.[2] These fellowships would be awarded to students already in course and would not be portable. And in another previous publication, the Carnegie Commission had recommended that federal grants for university-based research be increased annually in proportion to the growth of GNP.[3] The Newman group, on the other hand, recommended a massive program of portable graduate fellowships with companion grants over and above tuition of $2,000 to the institutions selected by the students.

E. Recurring and Lifelong Education. The Newman and Carnegie reports pointed to a current blind-spot in the financing of higher education: namely, that no adequate provision is being made to finance recurring or lifelong education or the students (mostly adults) involved in such education. No solutions were offered; the problem was merely identified.

F. Summary of the Reports. Let me now recapitulate. Waiving many variations, details, and nuances, the six reports are saying:

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[1] Higher Education, Who Pays? Who Benefits? Who Should Pay? op. cit., p. 107.

[2] Institutional Aid. New York: McGraw-Hill Book Company, 1972, p. 83.

[3] Quality and Equality. New York: McGraw-Hill Book Company.

- The efficiency of higher education should be improved.
2. Tuitions of public institutions should be raised to perhaps a third or even half of instructional costs.
3. Access should be available to all qualified students. Student aid should be extended in the form of grants to low-income students and loans to low- and middle-income students.
4. Loans should become a more prominent part of the student aid programs. Practical long-term loan programs should be invented and adequate capital to fund them should be raised.
5. Student aid should be portable.
6. Private institutions should be assisted by any of several types of tuition offsets which would have the effect of narrowing the tuition gap, and possibly by institutional grants.
7. Tax incentives for charitable giving should be strengthened.
8. Federal fellowships and traineeships for graduate students should be restored at least in part, and basic research should be supported at rising levels.
9. Ways of financing lifelong and recurring education should be developed.

Of these recommendations, those pertaining to tuitions and student loans are, of course, the most important and have attracted the most attention and reaction. In their 1973 autumn meetings, both the American Association of State Colleges and Universities and the National Association of State Universities and Land Grant Colleges strongly objected to the tuition proposals and reaffirmed the historic American policy of low tuitions and minimal use of student loans. The Carnegie and CED reports also evoked considerable adverse editorial reaction from newspapers across the country, including such leading papers as the New York Times, Washington Post, Christian Science Monitor, and Minneapolis Star. Labor unions as well indicated opposition. In the remainder of my remarks, I shall try to deal with these and my own views on the recommendations contained in these reports.

Concluding Comments

As I have indicated, the six reports are all moderate and gradual in thrust. Even if any one were adopted, higher education would not be instantly radically transformed either for the better or the worse. Indeed, tuitions in public institutions have been rising so rapidly in the last two years that some of the recommendations of the Carnegie Commission are already being overtaken by events. But these reports do try to set a new course. That course is toward higher tuitions, large grants based on means tests for low-income persons, and possibly heavy indebtedness for many. What are the consequences of this line of development in the long run? I must confess to some uneasiness.

For more than a century in this country, efforts have been made to encourage young people of all classes to go to college. Higher education has been regarded both as a form of personal opportunity and as a source of major benefit to society. The accepted view--seldom challenged as late as three or four years ago--has been that higher education ought to be open to all on the most generous terms. This was the historic idea underlying the founding of hundreds of private colleges, the land grant movement, the establishment of public urban institutions, the GI Bill, and the community college movement. Why, at this stage in our history, when we still have the task of bringing millions of young people--many from ethnic minorities--into the main stream of American life and when there is so much educational work to be done for all classes, including adults, why are we striking out in a new direction? Have we been misguided over the years and are we just now realizing our errors? Or are we about to commit a colossal blunder?

The financing of higher education is not merely a matter of technique to be decided by experts; it is a matter of educational and social values. My misgivings have to do with values.

A. The Widening and Deepening of Learning. First among my values is the widening of learning for persons of all ages, both sexes, and all ethnic and economic backgrounds, and at the same time the deepening of learning for everyone. By learning I mean humanistic, scientific, and vocational education of many varieties. Such learning is a powerful means. It is the base of our culture, the foundation of our economy, a source of good citizenship and civic responsibility, a way toward the solution of social problems, and a major influence toward humanizing individuals. Learning is also an end in itself. It is fun to learn and good to know. The great spread of learning that has occurred in the past century is far from complete. Our ignorance overwhelms our knowledge and our folly vastly exceeds our wisdom.

Learning occurs in many ways, by no means all of it through educational institutions. But institutions have an indispensable role in facilitating the process, not only for millions of persons of ages of 18 to 22, but for persons of all ages. Formal education is destined to be a recurring lifelong experience. The traditionally sharp separation of life into three stages--education in youth, work in middle years, and retirement in old age--is likely to be radically altered.

Under these conditions who can say that the philosophy of the Morrill Act or of the Community College movement is passé? Who can say that higher education should not continue to be available at low cost to insure ready access and encouragement for persons of all ages and conditions? Who can argue that high tuitions, means tests, and long-term loans are really conducive to the widening and deepening learning?[1]

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[1] It is sometimes said that if higher education is made too freely available, too many people will attend or will stay too long. In the interests of learning, I am willing to risk this result, especially because there are effective brakes on overutilization. These are the hard work involved in formal learning, the foregone income, and the sacrifice of time for recreation and other pursuits.

B. Academic Freedom. Another cherished value, which is virtually unmentioned in the reports on finance, is academic freedom. It consists in part of the right and duty of individual professors to seek and speak the truth. More broadly, it includes significant inner direction for colleges and universities as institutions. It means that the academic community should have an influential voice--based on professional judgment--in deciding what to teach, how to teach, what academic standards to maintain, what lines of research and scholarship to pursue, what to publish, and whom to employ as professors. Academic freedom in this sense is always in jeopardy, but in the past decade has been subject to unprecedented erosion from growing political influence and increasing reliance on funds earmarked for purposes prescribed from outside.

Academic freedom calls for a system of finance with diverse sources including substantial funds that are not earmarked and for which institutions are not too beholden. The proposal to raise tuitions might tend to diversify the sources of support in public institutions and enhance academic freedom. On the other hand, the proposal would move higher education along the path toward the market price or "jam factory" system of finance. If carried too far, it might impair the inner integrity of universities as institutions.

C. Means Tests and Debt. Another of my values, this time a negative one, is distaste for the means test and for loading heavy indebtedness upon young people. I recognize the importance of grants based on need, and loans, in a balanced system of student aid. It is when large amounts of money are involved that I become apprehensive. The means test is essentially undemocratic, bureaucratic, arbitrary, and open to evasion. Moreover, it may be unworkable if young people, who attain their majority at age 18, become emancipated from their parents.

For our society to require its young people to go heavily into debt represents a less than generous attitude toward our youth. Even from the economic point of view, long-term loans make little sense. The social cost of providing and receiving an education must be borne at the time the education occurs. It cannot be transferred to the future. The repayment of debt is only a transfer payment, having little underlying economic significance except an unpredictable effect on the distribution of income. It would seem more businesslike to finance the costs when they are incurred rather than to go through the red tape of making and repaying loans. Still another difficulty with heavy loans is unfairness as between generations. Those of us of the present middle and older generations received our education without heavy indebtedness. We are in effect saying to the next generation, "We got ours; now that your turn has come, you can get your education on the cuff."

What I am suggesting is not elimination of all grants based on a means test or of all student loans. I am counseling that we should go slowly in raising tuitions to a level that will demand heavy use of these devices. I think this will put an unbearable and unnecessary strain both on higher education and on our society.

D. Equity. Still another value is equity. The largest single cost of higher education is the time and foregone income of students. This, together with the incidental expenses of higher education (not counting board and room), place at least two-thirds of the total cost on the student and his family. Institutional costs are of the order of only one-third of the total. In view of the fact that education yields substantial social benefits as well as private benefits to students, it would seem that a major portion of the institutional costs might equitably be borne by society, that is, government and philanthropy. This was a conclusion of the Carnegie Commission and largely explains the moderation of their recommendations.[1] Incidentally, the Carnegie Commision is one of the few groups which has openly faced the issues of foregone income and social benefits of higher education.

E. Preserving the Private Sector. Another of my values is preservation of the dual private-public system of higher education. This, of course, requires strengthening of the private sector which in my judgment is in great jeopardy. The private sector is important because it contributes diversity and leadership. Through the diversity it contributes, the higher educational system serves the needs of more people and offers more choices than could a purely public system. Through the leadership given by many private institutions, the nature of academic excellence is demonstrated, academic standards are set, the ideal of liberal learning is kept alive and flourishing, a living example of academic freedom is provided, and a fruitful source of innovation and experiment is maintained. The example, the mere presence of the private sector, is a factor in the freedom and advancement of the public sector and serves as a brake on onerous public control. I would vigorously deny that private institutions have a monopoly on diversity or leadership, but I would argue with equal vigor that the whole higher educational system is stronger for its duality.

There is no doubt that raising the tuitions of public institutions would help the private colleges and universities. But I do not believe that such tuition increases are the best way of helping them. For survival, the private institutions must first of all live up to the ideals of diversity and leadership. They must be useful to society in special and demonstrable ways. Second, they need a system of finance that will narrow the tuition gap and at the same time will preserve their privacy. This system of finance has already been invented and tried out. It now needs perfecting and developing. It consists of tuition offsets from government. The tuition offsets may be in the form of grants to private institutions or they may be in the form of grants to students attending private institutions. More than thirty states are experimenting with various forms of tuition offsets and more are considering them. These programs are quite varied. They include tuition scholarships with amounts adjusted to need, grants to disadvantaged students based on need, grants of fixed amount without a means test to students attending private colleges, grants of fixed amount to private institutions for each student enrolled, etc. There is urgent need

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[1] Higher Education: Who Pays? Who Benefits? Who Should Pay? op. cit., pp. 49-53, 71-87.

for further development of these plans and more realistic funding. There is need also for federal intervention partly to encourage the states to establish adequate plans and partly to bring about reciprocity among the states so that students may be covered who attend private (or public) colleges located outside their home states.

Another important part of the financial solution for the private sector is to strengthen the incentives for charitable giving to education. This would include retaining present federal and state tax incentives and adding something comparable to the plan, proposed by Alan Pifer,[1] which would increase both the effectiveness and the equity of income tax deductions for charitable giving. There is need also, for liberalizing property tax exemptions for private institutions. The present trend in many states is to narrow these exemptions.

With these options open, I see no reason why it should be thought essential to the private sector that public tuitions be raised or why acrimonious controversy between the public and private sectors should be allowed to fester. Such controversy can only be harmful to the cause of higher education as a whole. This solution does require a kind of compact between the public and private sectors. The private sector is called upon to support low public tuitions, and the public sector to support tuition offsets.

F. Adequacy of Finance. Another value is adequacy of finance. The several reports we have been discussing have rightly given this high priority. Some have taken as a basic assumption that society is not going to sustain higher education adequately under traditional methods of finance. They have asked how limited public and philanthropic funds could be "targeted" so that they could be stretched as far as possible. They have suggested that by raising tuitions and providing long-term loans, the middle and upper income groups could be made to pay for more of their own education. And the funds thus acquired could be used for student aid to the poor and for institutional support. The plan is a not-too-subtle scheme to take from the middle class and give to the poor.

I would raise three questions. First, is the assumption valid that funds from conventional sources will fall short? I am not so sure it is valid, at least for the long run. More about that in a moment. Second, if tuitions are raised and loans expanded will governments and donors

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[1] "Revitalizing the Charitable Deduction," in Annual Report, Carnegie Corporation of New York, 1972, 3-12. Under this proposal, every taxpayer, whether or not he itemizes his deductions, would either be given a 50 percent tax credit for his charitable gifts or allowed to file under the present system, whichever would benefit him more. The Pifer plan would have the effect of expanding philanthropic giving by increasing incentives in the middle and lower income brackets and at the same time of improving the equity of the tax system.

correspondingly reduce their effort? I think this a distinct likelihood. Third, is there a risk that the recommended high tuition will not be accompanied by the adequate program of student aid which everyone says must be part of the package? I think the risk is high as indicated by the fact that aid is far from adequate for present levels of tuition.

In short, I am a skeptic about high tuition proposals from the point of view of adequacy. I think higher education might do better if the basic financial responsibility remained clearly with government and philanthropy. However, I cannot deny that to find adequate resources is a serious problem. The several reports have faced this problem candidly. I do not assert that they are dead wrong. I only express doubt.

G. Conclusion. I shall conclude on a note of optimism--not because every scenario should have a happy ending--but because I think there is a basis for a genuinely hopeful outlook for the long run.

I believe that higher education is not doomed to be a sick and depressed industry, lapsing into a position of ineffectual poverty. I believe it will, or can, be a buoyant growth industry. I have pointed out the vast amount of educational work to be done if we are to widen and deepen education as we should do. In my opinion, the time will soon come when we can get on with this task on an unprecedented scale. Our economy is clearly reaching the end of its insane preoccupation with producing physical things at the cost of plundering our national resources, fouling our environment, and cluttering our lives. As consumers, we shall be shifting our emphasis more and more to human services that enrich our lives and do not pollute. As producers, we shall be changing our emphasis in the development of productive powers from physical capital to human abilities. Higher education will obviously have a critical role. It is a purveyor of human services that are highly valued in their own right, and it is a basic instrument for investment in human abilities.

With this outlook, we should not take for granted that the fate of higher education is retrenchment and impoverishment. The time is right for the planning of wholly new levels of achievement in higher education. The financial policy that fits this future is one that will activate the widening and deepening of higher education. It is a policy of moderation --moderate public tuitions, moderate use of grants based on means tests, moderate use of loans for student aid, partial tuition offsets to keep private higher education competitive, and positive incentives for private philanthropy.

I suspect that current thinking about higher educational finance, as exemplified in the six reports, grows out of depression mentality and a short-range perspective. In my judgment, these reports have not taken account of the enormous opportunities that lie ahead as our society shifts from the production of things to the provision of services, and to the building of a great culture. Nor have they really faced a future in which education might be truly open to persons of all ages and conditions, in which education would be rationed on the basis of desire to learn and

achievement in learning; not by tuitions, means tests, and willingness to go into debt.

If we are concerned about the possibility that upper income families may receive subsidies, let us deal with that problem through the tax system, by requiring everyone to pay a fair share of the general tax burden, not by trying to convert the educational system into a device for redistributing income.

What we now need is still another study group who will break away from depression mentality and short-term considerations, who will explore the vast educational horizons of the learning society, and who will produce a financial plan commensurate with the educational work to be done.

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